

Total Compensation Advisory Council (TCAC)

Minutes of the Meeting of March 24, 2006

Present:	Patty Goodwin	Nancy Brown
	John Postolowski	Barbara McBride
	Ted Hollman	Joe Nicolini
		Brad Slagle
DPA	Jeff Schutt	Guest
	Karen Fassler	Meredith Williams
	Sue Huang	
	Juana Giacolono	

Jeff Schutt chaired the meeting, the minutes from the January 20, 2006, were approved as written. Jeff Schutt introduced the new TCAC member, Brad Slagle, to the group.

PERA Bills:

Mr. Williams, Executive Director of PERA presented a PERA update to the Council. As of December 31, 2005, PERA has net assets of \$34,314,705. There are 54,431 active members from the State and 27,685 recipients. As of March 17, 2006, 44% of \$35.5 billion market value is allocated to domestic equity funds. At one point, the funding ratio (actuarial assets over accrued liabilities) was 105.2%, and is now down to 73.7% in 2004. Between 2003 and 2005, more members purchased service credit and retired. PERA currently pays an annual 3.5% cost of living adjustment. Some changes are taking place in PERA. As medical cost increases, turnover rate drops. More employees are waiting longer before retiring from the State.

As stated in one of Mr. Williams' handout, in order to "...maintain solid retirement benefits for current and future PERA members, while preserving the long-term financial stability of the PERA trust funds..." the Colorado PERA Board of Trustees has directed PERA staff to seek legislative sponsorship for the following proposals (excerpt from the handout):

For current employees (called "Tier 1" PERA benefits):

1. Include members' voluntary pre-tax contributions in IRC Section 125 and 132 plan expenses in salary for PERA purposes
2. Tighten the limit on salary increases (15%) included in the calculation of the three-year HAS, applicable to benefits that become effective on or after January 1, 2009.
3. For current PERA members under age 45, and for new members, limit PERA's subsidy toward retiree health premiums prior to age 65, with an effective date of January 1, 2007.
4. 2.5% of HAS per year of service
5. HAS based on highest 3 years of salary
6. 8% of employee contribution

For PERA members hired January 1, 2007 or later (called "Tier 2" PERA benefits):

1. 2.1% of HAS per year of service

2. HAS based on highest 5 years of salary
3. No guaranteed annual increase after retirement. A portion of the employer contribution (0.5%) is earmarked for a fund to provide future COLA increases
4. Tier 2 members will contribute 7% of salary (instead of 8% for Division I employees)

Mr. Williams pointed out that a set of stable employees is essential for the defined benefit program. While employees planning for fewer than five years of employment with the State may prefer a defined contribution plan (portability and flexibility), a defined benefit plan would probably be better for career employees. Please refer to the handout for further PERA updates.

Update legislation initiatives

Mr. Schutt updated the Council on some legislation initiatives:

1. HB06-1047 - Concerning the inclusion of performance awards in salaries for the purpose of making annual adjustments to the compensation of state employee PI'd.
2. HB06-1256 – Modify certain provisions of total compensation for employees in the state personnel system. Basically, it is to clean some ambiguous languages in the current statute, e.g., the language from SB03-273. The bill was introduced in Senate and assigned to State, Veterans & Military Affairs.
3. HB06-1195 - This bill modified the length of suspension from work, for a state-employed supervisor who fails to annually evaluate subordinate employees in the state personnel system. This revision would comply with federal regulations of Fair Labor Standards Act (FLSA). The revision would allow the State to duck supervisors' pay on a daily basis instead of the current weekly basis.

Mr. Schutt also updated the Council of JBC's recommendations for FY0607 survey adjustments. Originally, DPA recommended 2.63% statewide occupational survey adjustments. A 1.25% non-base performance base pay (PBP), and 0.84% based PBP award. JBC was recommending 3.0% total survey adjustments (on an occupational adjustment basis, **not** on an across-the-board basis). 3.0% included the occupational group adjustments, outlier adjustments, and minimum range adjustments. Mr. Schutt told the Council that DPA would be working with JBC in the summer to develop strategies on how to move employees within a pay range if PBP would not be implemented.

FY0708 Survey Process

Ms. Huang briefly updated the Council of the FY0607 salary survey meet and confer process on March 7, 2006. CU-Boulder requested the Department to conduct a severance pay survey during the annual FY0607 survey process. DPA is planning to include this survey as an additional study this year.

Next Meeting

The Council decided June 23, 2006 for the next TCAC meeting. Members are welcome to email to sue.huang@state.co.us for agenda items.